

03 APR, 2024

AmInvest names Hong Leong Bank, IOI Properties and Greatech as new top picks

The Edge CEO Morning Brief, Malaysia



Page 1 of 2

AmInvest names Hong Leong Bank, IOI Properties and Greatech as new top picks

BY JUSTIN LIM
theedgemalaysia.com

KUALA LUMPUR (April 2): AmInvestment Bank Bhd has selected Hong Leong Bank Bhd, IOI Properties Group Bhd and Greatech Technology Bhd as its new top stocks to buy.

These three counters replaced its earlier picks namely CIMB Group Holdings Bhd, Mah Sing Group Bhd and Sunway Bhd, after their share prices have reached near or above the research house's fair values, said AmInvestment Bank Bhd in a note released on April 2.

The house's other favourites include RHB Bank Bhd, **Tenaga Nasional Bhd**, Telekom Malaysia Bhd, Gamuda Bhd, Dialog Group Bhd, Yinson, and Pavilion REIT.

AmInvestment Bank said it likes Hong Leong Bank due to its resilient asset quality and robust contribution from associates.

Additionally, the research firm opined that the bank's valuation is attractive, trading at a price-to-book value (P/BV) ratio of one time for FY2025, below its five-year historical average of 1.3 times.

The research house also projected Hong Leong Bank's return on equity stood at 11%, which it deemed higher than most peers.

With that, AmInvestment Bank has rated a fair value of RM24.10 for Hong Leong Bank, implying an upside of 23% compared to its share price of RM19.58 as at 12.30pm on Tuesday.

AmInvestment Bank also likes IOI Properties given the anticipated substantial contributions from recurring income of IOI Central Boulevard upon its completion in FY2024, along with launches of major projects in Singapore, namely Marina View with a huge gross development value (GDV) of S\$2.6 billion (RM8.6 billion).

It has rated a fair value of RM2.84 for IOI Properties, translating into a potential upside of 31% when compared to its share price of RM2.17 as at noon break on Tuesday.

Meanwhile, AmInvestment Bank has initiated coverage for Greatech with a "buy" call and a fair value price of RM5.67.

AmInvestment Bank's top 10 stock picks

Company	Sector	Share price RM/share	Fair value RM/share	Upside %
Tenaga Nasional	Power	11.34	13.00	14.6
Hong Leong Bank	Banking	19.52	24.10	23.5
RHB Bank	Banking	5.69	6.60	16.0
Telekom Malaysia	Telco	6.00	7.02	17.0
Gamuda	Construction	5.21	6.54	25.5
Dialog Group	Oil & Gas	2.31	2.91	26.0
IOI Properties	Property	2.21	2.84	28.5
Yinson Holdings	Oil & Gas	2.38	4.02	68.9
Greatech Technology	Technology	4.70	5.67	20.6
Pavillion REIT	REIT	1.29	1.64	27.1

Source: AmInvestment Bank

The research house likes Greatech due to the stock currently trading at an attractive valuation, with its price-earnings ratio for FY2024 standing at 32 times, below its five-year peak of 46 times.

The research outfit likes Greatech as it believes the group's business in green technology, solar photovoltaic, electric vehicles industries and life science sectors have bright prospects.

It is believed that Greatech will continue to grow its businesses driven by new product/model launches of existing customers, new customers coming on board for e-mobility and life science segments, and riding on customers' expansion plan with the requirement of more production line systems.

This was premised on Greatech's target to secure a new order book of RM1.1 billion this year. Greatech's outstanding order book stood at RM1.05 billion as at February 2024.

As such, it forecast Greatech to achieve resilient earnings growth between financial year ending Dec 31, 2024 (FY2024) until FY2026, growing at a rate between 9% and 27%, supported by a gradual improvement in product mix skewed towards higher margin projects from the solar and life science segments, and higher operational efficiency.

It is anticipated that Greatech will deliver annual earnings of RM186 million for FY2024, up from RM154 million in FY2023. This was followed by a net prof-

it of RM215.5 million in FY2025 and RM235.7 million in FY2026.

AmInvest keeps end-2024 KLCI target at 1,500, with ringgit to trade at 4.5

AmInvestment Bank has maintained its end-2024 target for the FBM KLCI at 1,500 points under its base case scenario.

Its conservative target stems from factors such as slowing global economic growth, volatility in markets due to the timing of the US interest rate cut, and moderating domestic consumption amid rising inflation from targeted subsidy rationalisation and imposition of service tax hikes as well as ringgit appreciation against US dollar.

It expects the ringgit to trade at 4.5 against the greenback by end-2024 — up from 4.7473 against the greenback, Bloomberg showed.

"We note that the FBM KLCI has a strong negative correlation coefficient to USD/MYR of -0.65 to -0.75 for the past three to 10 years. This could mean that a stronger ringgit towards the end of the year could mean a reversal in foreign equity inflows.

"However, we acknowledge that a slower-than-expected US rate cut could lead to persistent ringgit weakness and consequently, volatile foreign equity flows for the rest of the year," the research house said.